



**MINUTES
PUBLIC MEETING
Friday, November 17, 2006
8:00 AM
IGCS CONFERENCE 14**

I. Call to Order

Jeff Heinzmann called the meeting to order.

II. Roll Call

All Committee Members were present.

III. Reading of the Minutes

Ryan Kitchell moved to approve the amended minutes for the August 18, 2006 Public Meeting. Judy Rhodes seconded the motion and the minutes were approved unanimously.

IV. Administrators Report

This being Auditor Nass' final committee meeting, she thanked the Committee for their service to the plan, stating that the Committee now assembled is the most knowledgeable as a whole that has ever been in place. Auditor Nass thanked Bill L'Huillier of Great West, Deputy Auditor Jeff Heinzmann, and Lottie Hooyer of the Auditor's office for their work in the daily administration of the plan.

Auditor Nass provided an overview of the plan's progress over the eight years of her administration and noted that she is optimistic that much more will be done in the years to come to continue making Hoosier S.T.A.R.T. an even better retirement planning option for Indiana's public employees.

V. Secretary's Report

Jeff Heinzmann reported to the Committee that North Webster Library had signed an adoption agreement.

Mr. Heinzmann addressed the Committee concerning a directive that the Committee made to Capital Cities on May 19, 2006 concerning the renegotiation of the Indiana Stable fund agreements. A resolution was presented to provide authorization for the execution of a letter agreement memorializing renegotiated terms including the reduction

of Delaware's in person reports to the Committee from quarterly to annually and a reduction in Delaware's basis point fee from 24 basis points (0.24%) to 21 basis points (0.21%). Tim Berry moved to approve the resolution and Tony Armstrong seconded the motion. The Committee approved the motion unanimously as amended.

Mr. Heinzmann thanked Joe Bill Wiley and his team at Capital Cities for negotiating so effectively with a "big picture" approach.

VI. Third Party Administrator's Report

Bill L'Huillier of Great West Retirement Services began by thanking Auditor Nass for her service over the years that he has worked with Hoosier S.T.A.R.T.

Mr. L'Huillier reported that the "Hoosier S.T.A.R.T. Hysteria" event had taken place over state employees' lunch hours on October 26, 2006 and that it was very successful. Thirty enrollments were processed on site at the time of the event and 100 enrollment kits were distributed over all. Website education was also available with a greater number of Great West staff on hand to assist participants.

Mr. L'Huillier highlighted that in 2005 the average amount of enrollments per month was 170 new accounts. This year with all the new outreach activity like payroll messages, tunnel posters and the events in the Atrium have brought the numbers up significantly. From January through October the average monthly enrollment was at 370 new accounts. If you run the numbers from May (first event) to October the average is 416 new accounts.

Mr. L'Huillier went on to report that Great West's local office goal is to bring enrollment for state employees up to 60% and added that Great West is refocusing its efforts in the area of local subdivision service and recruitment.

VIII. Investment Consultant's Report

Janet Sweet of Capital Cities Investment Consultants began her overview for the third quarter reporting that Equities produced positive returns across nearly all categories. Ms. Sweet reported on the status of funds that have been placed on the watch list. Alliance/Bernstein Growth and Income (on watch due to short- and long-term underperformance) will continue to be monitored. In particular, if the performance of mega cap stocks does not result in the expected return anticipated by the fund's strategy, this product could be recommended for replacement with another large cap value product. Furthermore, if the Fund deviates from its large cap relative value strategy, Capital Cities might recommend replacement. AllianceBernstein's strict adherence to their philosophy has most recently led to a portfolio biased towards high quality, mega cap names, both of which have been out of favor over the short-term, but its performance over the 3rd quarter was better, ending the quarter in the 3rd percentile among its peer group. Jeff Heinzmann asked if Capital Cities had any thoughts as to whether the strategy of AllianceBernstein, with their pursuit of return through heavy investing in mega cap stocks, was appropriate for a plan like Hoosier START, or whether a more traditional strategy might be more appropriate, specifically referencing the fact that such

considerations helped lead the committee to discontinue use of the Brown Capital Management fund in 2005. Ms. Sweet stated that Capital Cities would typically select a more traditional manager with a balance of value and quality criteria, but noted that AllianceBernstein is a fund with an acceptable strategy to fit this area of the plan's investment portfolio.

Tony Armstrong asked what the typical amount of time a fund would be on the watch list. Ms. Sweet stated four to six quarters and noted that AllianceBernstein has at least 3 and maybe up to 5 quarters remaining on the watch list.

Ms. Sweet moved on to Wells Fargo Advantage Capital Growth (on the watch list due to the departure and replacement of the fund's co-manager). Capital Cities recommends continuing monitoring the Fund's performance.

IX. Legal Counsel Report

Mary Beth Braitman of Ice Miller reported to the Committee on the Pension Protection Act of 2006 ("PPA"). She provided an overview of relevant provisions of the PPA, including the Saver's Credit, which is an important incentive for eligible individuals to make elective deferrals to our 457(b) plan and 401(a) plans. The PPA's indexing of these contribution limits should expand the eligible population, which could help members achieve some retirement savings at a very low effective cost to the member. For example, for a family with an adjusted gross income of \$30,000, a contribution to IDCP of \$2,000 would reduce their taxable income by \$2,000. They would receive a federal tax credit equal to \$1,000, as well as state and local tax benefits. Another item in the PPA is automatic enrollment. The Committee discussed the need for statutory authorization of automatic enrollment in order to enable its adoption at some future date, the fact that there would be issues relating to funding and budgeting, and that there would need to be amendments made to the plan. Another PPA change allows rollovers by nonspouse beneficiaries of certain retirement plan distributions. This would provide an additional option for nonspouse beneficiaries who are eligible to receive distributions from qualified and government retirement plans. Non spouse beneficiaries previously were not permitted to rollover distributions from plans.

XI. New/Old Business

An update to the changes in "catch up" amounts was provided by Ms. Braitman.

- \$15,500 is the new deferral limit for 2007.
- \$20,500 is the new limit with the 50+ catch up.
- \$31,000 is the new limit with the final 3 years catch up.

The next Committee meeting is scheduled for February 16, 2007. The administration will check on the legislative schedule to confirm this date will not conflict with those activities.

XII. Adjournment

There being no further business before the Committee the meeting was adjourned.